

CCM 2014 Testimony

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LABOR & PUBLIC EMPLOYEES COMMITTEE

February 27, 2014

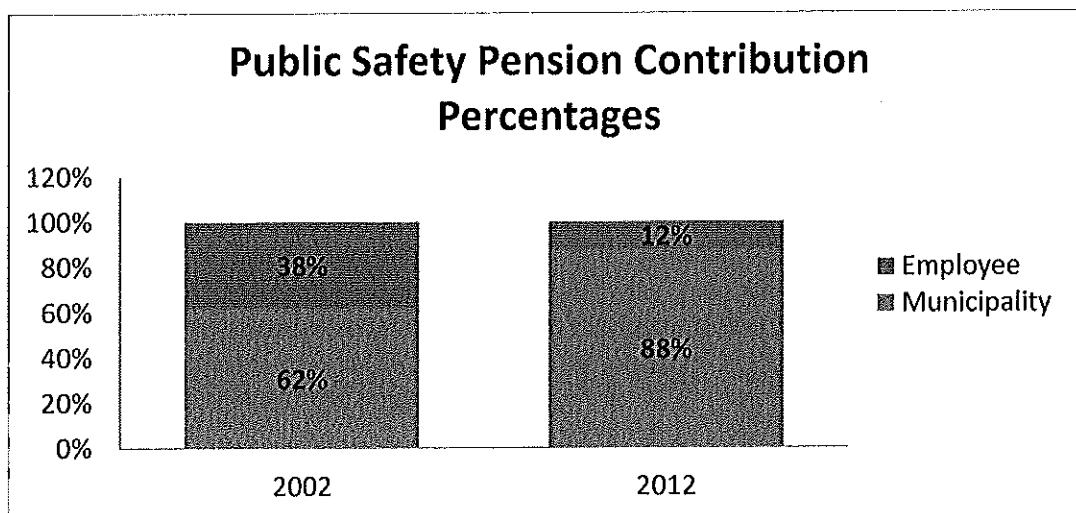
The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 92% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

Senate Bill 219 "An Act Concerning the Municipal Employee Retirement System Contribution Rate"

SB 219 would amend Connecticut General Statutes to increase the contribution rate for members of the Municipal Employee Retirement System (MERS). **CCM supports SB 219** and has long advocated for modest adjustments to the employee contributions rates, which have never been adjusted, as a reasonable means of addressing the disparity among employee/employer contributions within MERS.

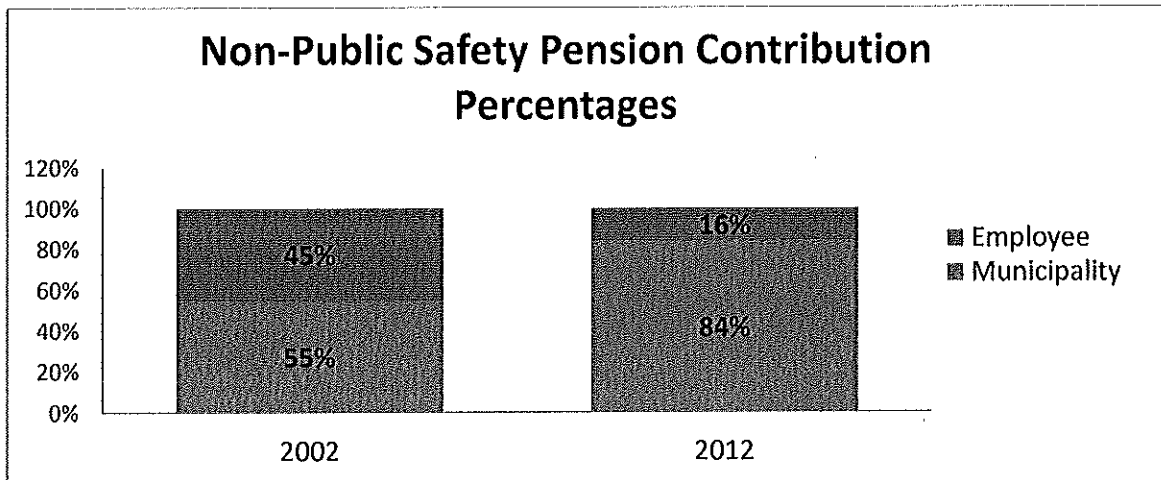
Background

MERS is financed through employer contributions, employee contributions, and fund earnings. **It receives no state funding and is administered through the State Comptroller's Office.** Towns pay the State's cost of administering the plan through an annual assessment based on the number of enrollees. Over the past eleven years, the State Employees Retirement Commission (SERC), which is authorized by the Legislature to do so, has increased contribution rates for municipalities participating in MERS nine times. From 2002-2013, municipal contribution rates have risen 352% (3.75% to 16.96%) for public safety employees; and 335% (2.75% to 11.98%) for all others.



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However, **employee contribution rates, which are established in state statute, have never changed** – and remain 2.25% of payroll for those participating in the Social Security system, and 5% for those employed in non-Social Security communities. **Only legislative action, as proposed in SB 219, can authorize an adjustment in the employee contribution rate.** In 2002, the employer-employee contribution rate was 55% municipality/45% employee, while currently; the rate is approximately 84% municipality/16% employee for all non public safety employees. For police and fire, the contribution ratios were 62%/38% in 2002, while now, they are approximately 88%/12%.



Amending SB 219

CCM is appreciative of the Labor Committee for favorably reporting this proposal the past two legislative sessions. To this end – and in an effort to enact a law in 2014 that would provide some level of relief – CCM requests that the Committee **amend SB 219 to create a new tier within MERS, for new hires, that would maintain a defined benefit plan.** Such new tier would be modeled after the State's tier III, which currently exists within the state employee retirement system. There has only been one tier within MERS since the system was established in 1947.

It is no secret that the most significant drivers of municipal budgets are employee benefits – beyond that of rising energy and healthcare costs. These are also some of the toughest costs to contain. By establishing a new tier within MERS, modeled after the State's tier III, towns and cities could begin to achieve savings from adjusted retirement and vesting eligibility yet, still preserve a defined benefit plan for new employees. This proposed amendment to SB 219, which would not affect current municipal employees, is considered a reasonable compromise to addressing local officials' concerns about the financial viability of the retirement system – and fiscal well-being of our hometowns.

CCM therefore, first urges the Committee to **amend SB 219 as recommended above**, and then **favorably report the bill**.

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If you have any questions, please contact Robert Labanara, State Relations Manager for CCM, at rlabanara@ccm-ct.org.